Military Market

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O Canada!

How our resale neighbors to the north handle the credit card issue — page 36

PLUS: Don Beaver and the California Commissaries

Military Market serving the military retail system

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Military Market survey

Scanners Are a "Good Idea"

AAFES Exchange Managers Agree

SCANNERS, THE ELECTRONIC eyes that record and tabulate goods sold at the checkout counter, have been touted as one of the most cost-effective uses of technology by a grocer since the advent of refrigeration.

Scanning systems have proved successful in grocery operations with millions of dollars in annual sales, but how useful can they be in exchanges? This month's survey, based on 37 written reader responses, covers AAFES exchange managers' feelings about and experiences with the newly-introduced scanner technology. AAFES plans to eventually bring the scanner technology to most of its main stores and shoppettes.

Eleven of the 37 respondents are currently using scanning systems in their exchanges, and another twelve are expecting them in the near future. A majority (24 out of 37) of the respondents, including those who were not expecting to use them in their exchanges, agreed with the statement that: ". . Installing scanning into AAFES' shoppettes is a good idea."

Ten of the 11 who are currently using scanning stated that scanners had improved their labor scheduling by allowing them to compare checkout workhours scheduled with the hourly checkout volume. One participant pointed out many advantages of the system by attributing "improved stock assortment, reduced slower sellers, increased procurement of better sellers and introduction of new line items" all to the use of the scanner system.

The size of an exchange operation required to make effective use of scanners seemed to be a chief concern of the two managers out of the 37 respondents who were not in favor of incorporating the system into their exchange operations. Cautioned one, "A shoppette stock assortment is so small and limited that the expense involved in setting up the scanning would be extreme. If it could be tied-in with little expense, then it might prove beneficial for stock control and management of stock items."

Similar concern was expressed by the other manager who did not favor scanning: "This exchange consists of seven troop branches and four foodlands, with the largest store doing $175,000.00. Scanning is not in the foreseeable future for my exchange."

Five of the 11 managers presently using scanner systems tempered their enthusiasm with cautionary comments. Wrote one, "[The scanners] are very complex for general staff . . . breakdown can cause the store to close." Another manager noted that the system actually "slows check-out lines with poorly or newly-trained checker/cashiers."

Two users mentioned the need for assigning Universal Product Codes to store merchandise items as a drawback to the system, though one mentioned that this was required less and less frequently for products as more manufacturers apply UPCs to their packaging.

Items identified as frequently needing UPC codes were in nearly all softline categories, and most specifically in the clothing and sports equipment lines. Lines mentioned as most frequently carrying the codes were greeting cards, food, drugs, cleaning supplies and some hardware items. Only one of the 11 users stated that he had dropped a product because it did not carry the UPC code, while the others agreed that this was not sufficent reason to drop a product from stock.

When asked if they felt they were familiar enough with the scanning system to use it to its fullest potential, seven of the managers using the system said that they were, while the other four responded they were not. However, those that said they were not familiar enough at present stated that it was simply a matter of training time and experience in using the applications of the system.

One manager characterized the respect and enthusiasm of initiates to the system in his comment. "[Our] system is relatively new (installed June '84). We are still learning. [The] system has tremendous potential for use in ordering, monitoring sales history and identifying store problems."

Advantages of the scanner most appreciated by the exchange managers were:

- ✓ faster check-out service,
- ✓ increased accuracy,
- ✓ it ensures stockage of only the most popular items,
- ✓ enables automatic replenishment,
- ✓ gives exact customer counts,
- ✓ better able to schedule labor for peak periods, and
- ✓ eliminates the need for price ticketing.

1 — DO YOU PRESENTLY USE SCANNING IN YOUR EXCHANGE? Yes — 11. No — 26. **IF NO, HAVE YOU BEEN TOLD BY DALLAS WHEN YOU WILL GET IT?** Yes — 12. No — 14.

2 — IF YOU HAVE SCANNING, DO YOU USE IT TO HELP YOU WITH LABOR SCHEDULING? Yes — 10. No — 1. Not Applicable — 26. **IF YES, HOW?** See story. **DO YOU THINK YOU'RE FAMILIAR ENOUGH WITH THIS APPLICATION TO USE IT TO ITS FULLEST POTENTIAL?** Yes — 7. No — 4. Not applicable — 26.

3 — DOES YOUR STORE LOCALLY APPLY U.P.C. CODES TO ANY MERCHANDISE? Yes — 11. No — 0. Not applicable — 26.

4 — HAVE YOU DROPPED ANY PRODUCTS FROM YOUR STOCK ASSORTMENT BECAUSE THEY DON'T HAVE U.P.C. CODES? Yes — 1. No — 10. Not applicable — 26.

5 — DO YOU BELIEVE THAT IT'S A GOOD IDEA TO DROP A PRODUCT BECAUSE IT DOES NOT HAVE A MANUFACTURER-APPLIED U.P.C. CODE ON IT? Yes — 1. No — 10. Not applicable — 26.

6 — HOW HAS SCANNING INFLUENCED OR CHANGED YOUR STOCK ASSORTMENT? See story.

7 — WHAT ARE THE BEST FEATURES OF SCANNING FOR YOUR STORE? See story.

8 — WHAT ARE THE LEAST BENEFICIAL OR LEAST-USED FEATURES OF SCANNING AT YOUR LOCATION? See story.

9 — DO YOU BELIEVE YOU KNOW ENOUGH ABOUT SCANNING'S BENEFITS TO YOUR STORE TO USE IT TO ITS FULLEST POTENTIAL? Yes — 8. No — 3. Not applicable — 26. **IF NO, WHAT WOULD ENABLE YOU TO BECOME A MORE SOPHISTICATED USER OF SCANNING?** See story.

10 — DO YOU THINK THAT INSTALLING SCANNING INTO AAFES' SHOPPETTES — AS IS BEING PLANNED — IS A GOOD IDEA? Yes — 13. No — 2. Don't know — 1. Not applicable — 21. **WHY OR WHY NOT?** See story.

They Do It Differently Up North

The biggest difference between the Canadian resale system and our own stares you in the face when you grab for the exchange door: There are credit card decals pasted on the glass! As you walk past the color televisions, you realize the folks at CANEX have got a good thing going. And that's just the tip of the iceberg...

By JAY BLUCHER
Associate Editor

CANEX PATRONS ARE SUBTLY reminded of their credit benefit each time they browse the shelves.

OTTAWA — "There's no life like it," proclaims the TV commercial, the Canadian Armed Forces' equivalent of the U.S. Army's "Be All That You Can Be" jingle. In both countries, military service is voluntary, so the commercials are supposed to whet the appetite of restless and spirited youth for the benefits of a life in uniform.

Servicemembers in Canada and the U.S. enjoy lifestyles deceptively alike, so it's easy for an American visitor to assume that "quality of life" issues like exchange and commissary shopping privileges are the same, too. But while there are many similarities between the Canadian resale system — CANEX — and our own, there are as many if not more *dissimilarities*.

The differences abound through every echelon of operations. A visitor quickly learns that they do things a *lot* differently up here.

Canadians display the same penchant for acronyms as their resale neighbors to the south, but they have fewer of them to contend with. CANEX, for instance, stands for the Canadian Armed Forces Exchange System.

Once you know that one, you're home free, since CANEX is the big one, the only show in town — the resale giant if ever there was a resale giant. Up here, it's all done under one roof, the CANEX roof. At the national level, with military management at the top, it's a single centralized organization to manage *all* base exchange and commissary operations. There's no separate AAFES, NAVRESSO, MCEX, or Coast Guard NAFA counterparts for the Canadian exchanges, and certainly not a TSA, AFCOMS or Marine Corps commissary services branch.

At the local level, all resale operations fall under the responsibility of the base exchange officer, who's answerable to the base commander. Nationally, CANEX answers to the folks at the Department of National Defense headquarters, the Canadian counterpart of DoD.

There's one other difference, but it's only a matter of semantics — they call them groceterias up here, not commissaries. But what the Canadians call a groceteria, Americans would probably term a convenience store or maybe a shoppette. Multimillion dollar facilities with solar heating and the most progressive display techniques in the grocery realm are nowhere to be found in CANEX. As MILITARY MARKET learned during a four-day visit, there's no place for that sort of thing up here.

What's even more curious is that there aren't even any *plans* to build multi-million dollar facilities. Not now, not next year, not ever.

'Nice, Small and Manageable'

"We kind of like things exactly the way they are — nice and small and manageable," says Col. Ronald E. Powell, who as director of CANEX holds the system's top job.

"The original concept for establishing CANEX was to operate a system with the minimum of public support. We asked ourselves, 'What would there be if there was nothing else

there?', and we go with that. One of the first things you have to realize about our system is that we are a service to our troops. Convenience of location and just having the goods available sometimes takes precedence over how much savings we offer."

That sums up quite a bit of what MILITARY MARKET encountered when we set out to find out more about our resale neighbors to the north. CANEX is definitely small. The patrons will tell you it's quite nice. And it's certainly manageable. But then again, with a total active duty military force of perhaps 80,000, there's no need for mammoth stores, grandiose headquarters buildings, or opulence of any sort.

CANEX patrons may not enjoy the most lavish of facilities, but they do reap distinct and tangible benefits from two very important and fundamental differences between their resale system and our own — credit cards and a lack of stockage limitations.

CANEX Credit Up Close

A Canadian servicemember can walk into any CANEX exchange and use a Visa or MasterCard credit card to their heart's content. Credit has been an integral part of CANEX operations virtually since its inception as an organization in 1967.

The founding of CANEX followed the unification of the three Canadian services — air, mobile and navy — into the Canadian Forces. What the U.S. military refers to as the "purple suit" concept has been in place since then, but the Mulroney-led Conservative party now in power has proposed a return to separate uniforms for each service. Currently, members of each service wear the same basic green uniform, with only subtle uniform differences, mostly badges and insignia, to differentiate among the three branches.

That little piece of drastic plastic known as the credit card is probably the single most distinguishing difference between CANEX and American exchanges. They got 'em. We don't. They've always had 'em. We want 'em, now.

CANEX "started out with our very own CANEX card in 1967 that allowed the soldier to charge their purchases in the exchange," explains Gord Peacock, risks funds manager for CANEX.

But the system ran into problems managing its own credit card program. "There were not enough internal controls," says Peacock. "When someone got behind or ran into a debt problem, everything came back to us [CANEX]. It quickly became obvious to us that the only way to go was with a bank-issued credit card."

Sales of CANEX Exchanges FY 1983-84

BRITISH COLUMBIA REGION	
CFS Baldy Hughes	$77,713
CFS Beaverlodge	59,061
CFB Chilliwack	1,025,640
CFB Cold Lake	3,279,155
CFB Comox	1,376,134
CFB Edmonton	824,101
CFB Esquimalt	1,966,481
CFS Holberg	384,374
CFS Inuvik	581,761
CFB Det. Jericho	0
CFS Kamloops	64,174
CFS Masset	407,688
SUB-TOTAL	**$10,046,282**
PRAIRIE REGION	
CFS Alsask	66,576
CFS Beausejour	356*
CFS Calgary	1,602,585
CFS Dana	114,198
Dundurn Det.	50,584
CFS Gypsumville	174,775
CFB Moose Jaw	293,510
CFB Penhold	116,689
CFB Portage	119,301
CFB Shilo	1,377,209
CFS Sioux Lookout	118,617
CFB Suffield	686,913
Wainwright Det.	930,789*
CFB Winnipeg	1,098,535
SUB-TOTAL	**$6,750,636**
ONTARIO REGION	
CFS Aiert	351,868
CFB Borden	3,226,370
CFS Carp	49,950
CFS Falconbridge	110,111*
CFB Kingston	1,415,655
RMC Kingston	0
CFS Leitrim	47,281
CFB London	152,816
CFS Lowther	79,066*
NDHQ/AU	313,701
NDMC	198,119
CFB North Bay	336,030*
CFB Ottawa	6,370,945
CFB Petawawa	2,990,760
CFB Toronto	440,131
CFB Trenton	1,838,227
SUB-TOTAL	**$17,921,031**
QUEBEC REGION	
CFB Bagotville	305,660
CFS Chibougamau	168,411
CFS Lac St. Denis	75,955
CFS Moisie	86,181
CFS Mont Apica	75,567
CFB Montreal	1,433,934
CFS Senneterre	84,669
CFB St. Jean	1,161,693
CFB Valcartier	1,889,783
SUB-TOTAL	**$5,281,853**
ATLANTIC REGION	
CFS Barrington	125,398
CFB Chatham	622,183
CFB Cornwallis	2,921,057
Debert Det.	82,943
CFB Gagetown	2,861,611
CFS Gander	195,569
CFB Greenwood	1,554,628
CFS Goose Bay	589,731
CFB Halifax	1,567,010
CFB Moncton	82,656
CFB Shearwater	1,244,195
CFS Shelburne	165,599
SCFS St. John's	150,538*
CFS Sydney	121,997*
CFB Summerside	517,808
SUB-TOTAL	**$12,802,923**
TOTAL CANADA	**$52,802,725**

* Includes grocery sales

NOTE: Excludes sales of overseas CANEX stores (Germany and Bermuda)

Today, CANEX exchanges honor both Visa and MasterCard, although the groceterias are forbidden by law to offer credit for food purchases. Service stations and gas bars also honor credit cards. And, since 1984, credit cards have been honored at CANEX's Lahr, West Germany exchange.

Although there are no specific figures available about the extent of credit card use among Canadian military personnel, as of Jan. 1984, Canadians had more than $5 billion worth of debt on credit cards, at interest rates that range from 18 percent to nearly 29 percent a year.

[Note: All dollar amounts quoted in this story are based on Canadian dollars, which at the exchange rate at presstime was pegged at $1.36 against the U.S. dollar.]

With an growing number of card-carrying Canadians walking around, an estimated $50 billion was charged in 1984. The credit card companies up here make it easy, too. There's no waiting list for a major card. Gone are the days when Canadians had to wait weeks to get their cards. New high-volume computerized authorization systems using mathematical modeling techniques often approve credit applications on the spot, and the piece of plastic arrives in days.

Signs on the Shelves

CANEX's patrons are frequently reminded that their exchange system honors plastic money. "When you walk into any exchange, one of the first things you notice is the credit decals in the exchange window, and then if that's not enough, we place tiny credit card signs directly on the shelves to remind them to use it," beams Maj. John Richardson, the base

exchange officer at Canadian Forces Base Ottawa South.

Virtually everyone that MILITARY MARKET talked with about the credit card issue told us that credit cards posed absolutely no problem or hindrance to CANEX operations. Echoing other comments, CANEX Director Powell says, "The level of credit debt has never posed a problem for CANEX since we went to national cards."

A visitor gets the impression that CANEX goes out of its way to serve its patrons. Besides accepting national credit cards, individual stores also offer a local form of credit to exchange patrons. A soldier can be extended 90 days of credit on a major purchase with a $100 minimum and a $1,500 maximum ceiling. With a 25 percent down payment and three equal monthly payments, the servicemember can walk out of the store with goods in hand. "The only restriction on this policy is that it's not portable — they have to settle up before they are transferred or move on," explains risk funds manager Peacock.

"It's as good as cash," acknowledges a young Canadian enlisted soldier, emerging from CFB Ottawa South with a color television in tow, newly purchased using the local credit plan.

Despite the credit option, Peacock tells MILITARY MARKET, "Our troops use it, but I really couldn't tell you how much of a difference it's made in our sales since we went to the bank cards. I'd have to say that it's a fairly low percentage of our total sales that is charged on the cards. The local credit program is quite popular as well."

The statistics confirm Peacock's guessstimate. In 1984, national credit card sales accounted for something over $16 million in sales for CANEX — only 6.5 percent of systemwide sales. MasterCard totaled more than $4.8 million, while Visa accounted for $11.1 million. That may not sound like a lot, but then CANEX's sales total of $250 million pales in comparison with AAFES or NAVRESSO.

The financial aspects of managing credit card accounts within CANEX take place at Ottawa headquarters. "Both the Visa and MasterCard credit card bills come to this main office," explains Peacock. "We handle the total bills all at once. We write one check each month to Visa, and one check to MasterCard, and then we credit each of the individual base accounts, which keeps a running account of their credit card sales. We get a forces-wide sales rate on our

BACK-DOOR DELIVERIES, such as this one to an Ottawa CANEX grocateria, are standard practice.

credit program here. All the money comes here from the individual bases and stays in one central fund here at headquarters. We get a better discount that way — instead of 4 percent, it's only 2 percent."

CANEX folks have a difficult time understanding what all the fuss is about over proposals for credit cards in U.S. exchanges. They've had credit programs for a long time, with very few problems. Everyone that MILITARY MARKET talked with at CANEX headquarters felt that credit cards were hardly an "issue" at all, just part and parcel of doing business. The headquarters folks tell us they actually don't give credit much thought. Their mission is mostly one of guidance for the various exchanges.

"If a question comes up from a base exchange officer or there's some sort of problem, then we get involved, but each one of our stores is actually quite autonomous," says Maj. Xavier McGillivary, policy and administration director for CANEX

"Frankly, not very many questions or problems with credit ever turn up at all. We like having it, it's no hassle, and our people certainly like it as well."

No CPLs or Stock Restrictions

The other big difference between the Canadian resale system and the U.S. one is that CANEX outlets are free to sell whatever they want. There's no maple leaf equivalent of a House Armed Services Committee's Morale Welfare and Recreation Panel to set cost price limitations, or even to determine what products the stores may or may not sell. Refrigerators, freezers, ranges, ovens, color televisions are all available. The whole spectrum of potential products is wide open and unrestricted.

"Of course, a lot of what you decide to carry in your store depends upon the makeup of your base," Maj. Richardson, the base exchange officer at CFB Ottawa South, tells MILITARY MARKET.

Ottawa South serves a large number of retirees, so "In my situation, for example, there's really not much of a demand or need for me to carry a large assortment of furniture. But I certainly have that option if I wanted to." CANEX outlets sell *real* furniture, not the knockdown variety.

The idea that a group of elected officials, with little contact with or experience in the exchange system, could dictate to the Canadian forces what they may offer for sale in their exchanges is both totally foreign and inconceivable to them. Says Powell, incredulously, "I just can't *imagine* myself having to appear before a committee of your Congress just to get approval to sell a line of sporting goods!"

In fact, when you try to explain to CANEX officials how the American exchange system differs in this respect — how our stock assortments are formally regulated by Congress and informally influenced by the wishes of the retail community via lobby groups — the reaction is usually, "Say, what?".

"Thankfully, our only restraint is the marketplace itself," explains CANEX Director Powell. "We decide, or I should say our base exchange officers decide, what to carry, but there are no legislative limits or parameters whatsoever."

CANEX types don't really think of themselves as competing with Canada's private retailers, either. Richardson sees the relationship between his exchange at Ottawa South and private department stores in downtown Ottawa as a very special one. "I think the retailers look at us as just another discounter, and not any great competition, per se. We provide what our patrons and families need. We're not out to compete with the heavyweights."

Little Taxpayer Support

When MILITARY MARKET asked Powell about what sort of public support monies (appropriated funds, in U.S. vernacular) CANEX receives, he jokes, "You're looking at him." Salaries for the six military members in the head-

IN WHAT MAY SOON BECOME a common sight in ConUS exchanges, personal computers beckon to CANEX patrons.

quarters staff (which is all of 61 people), are paid from public funds. Although he does not know the exact figure for taxpayer support of CANEX, Powell says he believes it was somewhere in the neighborhood of $25 million in 1984.

"There's some manpower and personnel support, and at a few of our more remote bases they are subsidized almost 100 percent, but otherwise the CANEX operation is totally self-supporting.

"We build and maintain all of our own facilities from CANEX funds exclusively. The taxpayer support is so minimal that we hardly even think about it here at headquarters. There's never any of the funding crisis that you folks have to worry about each year to support your commissaries.

"Thank goodness for that . . ."

Excluding a pair of overseas stores, CANEX had FY 1983-84 (October to October) systemwide sales of $222.9 million, with net revenue of $10.9 million. CANEX officials at Ottawa headquarters are estimating 1984-85 sales to be about $250 million. Most profits go to troop support; the net revenue (profit) portion of CANEX's sales mostly remains at the unit level to support morale, welfare and recreational activities. Up here, the priorities for recreation activities differ just a bit from our own — hockey rinks, curling clubs, and golf organizations enjoy a far greater measure of popularity than south of the border.

'Locally Controlled Scenario'

CANEX employs roughly 600 full-time and 1,300 part-time non-public funded staff. Virtually all of the part-timers are hired from local civilian and dependent populations in the areas surrounding the bases.

CANEX headquarters in Ottawa oversees 67 retail stores, two combination grocery/gas bar stores (self-service gas stations), 11 groceterias, 50 expressmart convenience stores, 27 service stations (of the full service variety), 44 gas bars, 118 restaurants, coffee shops, cafeterias and snack bars, and 35 vending operations.

CANEX also offers personal property insurance for its servicemembers who are residents of single and married quarters on its bases; policies are for $25,000 worth of protection for less than $40 per year. The insurance goes by the snappy acronym CANSUREX, and its intent is to protect the sizable investments many young Canadian soldiers make in high-ticket items like stereo equipment (naturally, all of which is purchased in the local CANEX exchange!).

In addition, the CANEX headquarters staff supervises the activities of more than 260 concessionaire operations, broken down as follows: 108 barber shops and beauty salons; 42 restaurants, coffee shops and snack bars; 29 credit unions and banks; 11 tailor shops; 10 dry cleaning outlets; eight doctor's and dentist's offices (family members are not covered by military medical and dental benefits in Canada); four vending operations; four newsstands, four amusement parlors and 40 miscellaneous outlets like income tax offices, cobbler shops and insurance offices.

Powell tells MILITARY MARKET, "Our total market picture is maybe a couple hundred thousand at best — 80,000 active duty troops, with the rest made up of Reserves (who may shop during their annual summer training), retired servicemembers and our Royal Canadian Mounted Police. It's an awfully widely-dispersed and spread-out market."

The Mulroney-led government recently signed legislation giving the Mounties full CANEX shopping privileges for the first time in their long and colorful history. "Those Mounties deserve it — some of those guys are really stationed in some isolated outposts. I was glad to see they were allowed to start shopping in our stores," says Powell.

'Proud to be No. 280'

Powell says that if CANEX were to be ranked as a national retailer, it would come in 280th place. But they really don't think of it this way. "As you can see from that, we're not really much competition for the civilain retailers, and then again, we really don't try to be.

"We're proud that we're No. 280 — at least we're in the top 500!

"Basically, CANEX is there to be a service to our troops — a convenience and a service to the troops and their families. We are not so concerned as your exchange systems seem to be with saving the patrons as much money as possible. Sure, we save them money, but it's not the be-all, end-all goal, as I sometimes feel your [exchange] systems perceive it.

"The private retailers of Canada look upon CANEX as just another retailer, not an adversary and not as a huge competitior that's siphoning off their business."

CANEX doesn't always offer the lowest prices in town. It often does, but the CANEX folks will be the first to tell you that sometimes the private retailers beat them to the punch. The curious thing about the CANEX mindset, however, is that it really doesn't seem to bother these folks if Canadian servicemembers shop downtown. Or at least it doesn't to the same degree it gets under the skin of their American counterparts in Dallas, Staten Island and Quantico.

Says Powell, "We do [price comparison] surveys on the local economy. Our policy is that CANEX will match the lowest retail price available within our market area. It will be the best

regular price, but we are not out to undercut them [private retailers].

"If we are doing our job correctly, and we've got the product available, it will be the best possible price for the product. We can't always match retailers' sale prices or loss leaders, but I'd say we definitely save our patrons a lot of money across the board. I can't give you a set percentage and say we save our patrons such and such amount. It varies, but I know they save. It's a very locally controlled scenario."

Powell views the CANEX market picture as essentially static. "We are not seeking to enlarge our market, only serve it better to the best of our ability. We have an extremely good relationship between CANEX and the civilian retail world. We don't want to do anything to upset that delicate balance."

A Varied Personnel Structure

The military may occupy most of the top slots in the CANEX organizational chart, but civil service workers are the nuts 'n bolts of CANEX operations. Says Powell, "CANEX may be managed by uniformed personnel, but it's run by the civilians."

In the organizational chart for the Department of National Defense, CANEX falls under the auspices of the Chief of Personnel Services, which oversees compensation and benefits, dependents' educational programs, recruiting and chaplain services — what in the U.S. are referred to as "quality of life" issues. The director of CANEX is on equal footing with the director of non-public fund services and the director for physical education, recreation and amenities. Each of these directorates is staffed with a large contingent of civil service workers.

The civilian personnel system in CANEX is vastly different from the ones found in the U.S. exchange and commissary systems, and in yet another contrast with our own systems, no universal rate structure exists for CANEX's civilian employees, such as our own GS/WG ratings for appropriated fund employees, or the UA/HPP system for non-appropriated fund workers. Since each base "stands on its own" within CANEX, local base commanders and base exchange officers have ultimate authority over their civilian employees.

Most civil service workers in CANEX are non-public funded employees; only a handful — five headquarters civilians — are paid by public (tax revenue) funds. Civilian wages are based on performance, merit and regional wage scales — there are no universal grades, automatic step increases, or guaranteed cost of living allowances, although at some individual bases negotiated agreements between base commanders and civilian employees may include some or all of the above.

LIKE ITS U.S. counterparts, CANEX offers a limited number of private label products, such as these CANEX-brand panty hose.

There are three different categories of NPF employees within CANEX. Category I employees comprise the bulk of NPF personnel, with most lower-level exchange workers and some supervisory staff falling under this heading. Most Category I workers are represented by independent bargaining unions, which negotiate wages and salaries for their members with local base commanders (typically lieutenant colonels) and base exchange officers (typically junior-level captains).

Category II civilian employees are managerial and professional workers such as store managers, food service managers or grocery store managers at the individual stores.

Category III NPF employees are executive civilian workers, who formulate CANEX policies and directives at the headquarters level.

"Salaries and wages for these employees are totally up to the local base commander," explains Maj. Kevin Maloney, industrial relations director for CANEX. "The local base exchange officer and perhaps an assistant or two are essentially the only military representation at the local store level. The rest are all civilians. It's as if it were a military-*owned* business, but a civilian-run operation."

In a scenario which would be envied by many U.S. civilians, CANEX's civilian employees in some instances find themselves placed in positions of authority *over military members* in the CANEX pecking order. For example, the director for non-public fund activities is a civilian NPF-employee, who oversees some headquarters-level section heads who are military.

Paying Taxes

Here's something to be envied by every state in the U.S.: CANEX pays provincial (state) taxes. With such an arrangement, it's no wonder CANEX encounters no problems from provincial governments claiming that the resale organization is dodging its fiscal responsibilities.

According to Powell, "CANEX must comply with provincial tax regulations in each province where we run exchanges." Taxes vary with each province, with some provinces collecting no taxes, and others in western Canada collecting larger levies.

"We look upon it as just being a good citizen. CANEX is just like any other retailer in this respect, and many other respects as well. We choose to do that. We feel that since we operate in that province, we have an obligation to that province. The tax money is turned over to the provincial governments."

Powell likens CANEX's organization to NAVRESSO exchange operations, though he says that from what he reads and hears about the way the U.S. Marine exchanges operate in the field, "Things are especially similar in the large amount of latitude and discretion given to the base exchange officers in both CANEX and your Marine Corps' systems."

Most of CANEX's purchasing is decentralized. The bulk of buying decisions are made at the base level, exactly the way Marine Corps' exchanges operate. CANEX headquarters in Ottawa is instead concerned with overall supervision, policy and financial operations for the system. Some larger purchase agreements are hammered out at the headquarters, but Powell categorizes these transactions as "exceptions rather than the rule."

CANEX operates only one major overseas exchange — in Lahr, West Germany — supporting about 3,000 active-duty Canadians stationed in that country. A smaller store is in Bermuda.

Unlike its American counterparts, transportation costs for goods shipped

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JOE JEU, head of the commercial services branch . . .

The Marine Corps Commissary Service Branch

A little office with big plans.

By ANNE ROKETENETZ
Associate Editor

IN A CRAMPED SIXTH floor office in a Rosslyn, Va., highrise, the headquarters staff for Marine Corps commissaries -- all two of them — joke about where to put a computer terminal.

"We think we can just build a double-decker type thing," Joe Jeu, head of the commercial services branch and half of the staff, says with a laugh.

Across the room from him, the other half of the headquarters crew, "deputy assistant" Pam Pervier, smiles when a visitor suggests that a loft be built for the new equipment. The computer will be part of the Commissary Service Branch's new Management Information System.

Though Jeu and Pervier have tenures of under a year in the Marine system, they're hardly lacking in experience when it comes to commissaries. Both made the switch from the Army Troop Support Agency to the Marines in 1984. As a staff of just two, they have big plans.

"The difference between [us and] the other services is that they have directorates for everything: resource management, automation, construction, operations," explains Jeu. "They all have large staffs that specialize in all this."

But at the Marine Corps," he adds, "there are only the two of us."

At the moment, "the two of us" are busy planning for the management information system they expect to have within the next two years. Jeu told MILITARY MARKET during a recent interview that though the project has required much effort for both him and his partner, it's not actually new at all, but an extension of the computer system already in operation at the service's East and West Coast complexes.

. . . AND PAM PERVIER, "deputy assistant" and the other half of Marine commissary headquarters.

The enlargement of the system will let them tap into the regions. It will also provide a means of automating accounting, procurement, and inventory control, and will provide management information and productivity reports.

"The computer system is necessary to increase productivity," he says, adding that, "I think labor savings alone will pay for it." It could cost as much as a million dollars.

The management system is only one of several plans Jeu and Pervier have in the works. Scanners could be in all Marine commissaries within two years. "We feel that the scanner is very badly needed, so we have prioritized our program. It's not a matter of whether we have more money. Rather, we have rearranged our priorities."

The first part of the priority rearrangement has been changing construction plans, cutting back on some.

The Marines are also nickle-and-diming it to conserve funds. An example of this is the elimination of the logos which some commissaries print on their grocery bags, estimated to be $5,000 to $10,000 a year at one commissary alone. They're also doing away with double-bagging when possible, and encouraging people at the store level to save on any and all expenses they can. "The less money you spend on expenses, the more you have toward operational equipment or construction," says Jeu. "I think little things just add up," he adds.

Jeu and Pervier are also conducting manpower surveys within the service's stores in an effort to develop staffing criteria. "We have no management programs because we are so small," he says. And he hopes when the surveys are finished, the data can be coupled with data from the other services, and criteria tailored specifically for the Marines can be developed.

Seven months earlier, Joe Jeu sat behind a desk in a Pentagon office, at the Army Deputy Chief of Staff Logistics. While there, he says, he did very

little in the way of decision-making when it came to policy changes affecting commissaries. And though he says he enjoyed his work with TSA and Army commissaries, the move to the Marine Corps has given him more freedom in decision-making.

"I like my job very much, because here I'm involved with every facet of commissary operations. I am really managing the program here. We make decisions that affect commissaries. It's very challenging and also very rewarding."

Pervier, who first stepped into the resale business as an intern with TSA, says the switchover from one service to another was also relatively easy for her. It has provided her with a greater opportunity for gaining operational experience. "I came from a different level than Joe did," she notes. "I came from regional headquarters after 5½ years. Here I enjoy being more involved in the operational side of things."

Still, both agree that in the beginning there were difficulties in acquainting themselves with the Marine way of doing things. The Marines' greatest uniqueness, says Jeu, is that unlike the other services' commissary programs, theirs is a decentralized system. "The Marine Corps' base commanders are responsible for the commissaries. We manage commissary law and their policies, but we are not involved in day-to-day operations of individual commissaries," he says.

Because there aren't as many levels to deal with, adds Pervier, "our frustrations are not as great as the other services. The other services have a lot of red tape, but because we are so small, many times you can deal on a one-to-one basis. We can solve many problems very quickly."

Pervier says she attributes much of the smooth changeover to Jeu's having experience from the store level on up. "He is in touch with what's going on and what's happening. He knows where things belong and how to handle it," she says, adding that he's also a good teacher.

What does Jeu think of this? "I consider myself an operator first," he says, "so I feel like I understand the needs of a commissary officer. It's so easy to just sit in headquarters and write policy. But I think before I write policy I like to think of what kind of impact it will have on the commissary officer and try to understand their needs. I feel like I am attentive to their needs, while at the same time trying to improve our operations."

In Every System, There are Problems

Despite inherent differences between the Marines and the other services, there are still common problems, says Jeu, and one of the biggest problems now facing the Marines is a lack of resources.

"Though we had a 13.7 percent increase in sales last year — more than any other service — we have not received any additional resources," he explains. Resource increases are going to have to come "through increases in productivity. That's, I guess, our greatest challenge — to continue and try to provide the best possible service."

Marine Commissary Sales
1st quarter FY 1984/85

COMMISSARY	% GAIN
West Coast Complex	
El Toro, Calif.	+14.65
San Onofre, Calif.	+10.04
Camp Pendleton, Calif.	+5.90
Barstow, Calif.	+6.51
29 Palms, Calif.	+8.85
Yuma, Ariz.	+9.50
Average	**+9.96**
East Coast Complex	
Hadnot Point, N.C.	+12.93
Tarawa Terrace, N.C.	+22.58
New River, N.C.	+21.05
Cherry Point, N.C.	+11.31
Parris Island, S.C.	+9.98
Average	**+14.73**
Independent Stores	
Kaneohe Bay, Hawaii	+10.58
Quantico, Va.	+9.62
Albany, Ga.	+0.31
Iwakuni, Japan	+14.06
Systemwide average	**+11.20**

SOURCE: Marine Corps Commissary Service Branch

Part of providing the "best possible service" includes increasing store hours by an entire day per week. This also accounts for the tremendous sales growth. "We increased hours at four stores in the beginning of fiscal year 1984, and then we increased operating hours at Quantico and El Toro in the latter part of the year.

"Wherever we have had an increase in operating hours, sales have increased." And those increases in hours have been done without having to increase staff. "We looked at our scheduling and everything, and through managment information we tried to put people where we really needed them. It was like a rearrangement of our schedule," says Jeu.

"That's why I feel that our employees are doing a really, really super job," he emphasizes. "They have been able to maintain the same service — without having to increase staff."

One thing Jeu and Pervier say they have not had to deal with, however, are the many problems which were predicted to occur when the Marine's average 6 percent surcharge was decreased to 5 percent, though "I think new store construction has hurt a little bit," Jeu admits.

"Although we have had a very vigorous construction program, I feel like we are not really replacing commissaries fast enough. We are opening a new commissary in Barstow, Calif., this September and we want to expand Quantico, Va., this fiscal year. We also plan to build a new commissary at Twentynine Palms, Calif., next fiscal year. I think we could do more in the construction area if it [the surcharge] had remained at 6 percent," he says.

Upgrading Job Levels

Besides his overall goal to improve commissary operations, Jeu also has a personal goal he wants to see materialize sometime in the near future. "I want to try and upgrade some of our commissary officer slots."

The grade structure for commissary officer jobs in the Marines, he says, "is one or two places lower than the Army or Air Force. I feel it is not fair to our commissary officers. My goal is to try and upgrade our commissary officers and complex directors a grade," he says.

The current grade structure for commissary officers in the Marine Corps system ranges from GS-10 to GS-12. Jeu would also like to upgrade his complex officers to GS-13 on the east coast and GS-14 on the west coast, if possible. He'd also like to upgrade Pam Pervier's commissary program analyst slot from GS-12 to GS-13. All this, he says, "is my goal within the next six to twelve months."

Jeu has already been successful in upgrading commissary officer slots at Tarawa Terrace and Hadnot Point (both at Camp LeJeune, N.C.), and is working on upgrading the slot at Parris Island, S.C.

His reasoning for the upgrades is his philosophy that people should be paid for what they do. "I am really, really impressed with our people. I know deep in my heart that we have the most efficient commissary operation within DoD." MM

CALIFORNIA

(Continued from page 35)

aren't giving those guys [AFCOMS] daily direct store deliveries out of the goodness of their hearts. That money is being made elsewhere, and I believe it's [being made] on the back of the retailers."

His association's members are also concerned with annex operations, especially those which resemble convenience stores and are built in housing areas. CGA believes these are siphoning off sizable sales from private grocers.

[Whether CGA is confusing AAFES and Navy exchange shoppette operations with commissaries is unclear. Commissary annexes and exchange shoppettes are often lumped together by many private grocers.] Says Beaver, "I was driving down the road one day [about four years ago] and I saw this huge banner adorning the side of a commissary that says, 'We Will Not Be Undersold By Anyone.' Now, just what is *that* supposed to mean?

"Things like that only inflame our members. It's tough enough that they already have to live with the prices being offered to the commissaries being so incredibly lower than their own, but it's almost as if they're trying to rub our noses in it. Our members have pride, too."

Better Run by Private Grocers

As one might expect, Beaver believes that private grocers could do a better job of running the commissaries than the military does. He says, "The government has no business being in the grocery business. We feel that privates can do a better job, with more efficiency, and better service."

But when MILITARY MARKET asks Beaver the crucial question of whether the private grocers could continue to offer the patron at least a 20 percent savings, Beaver frankly replies, "I doubt it."

He quickly follows up: "How about if we made up the difference by giving them [soldiers] more in their paychecks to cover the difference [between shopping at the commissary and off-base]? Well, we suggested that, but the Pentagon got wind of that one, and nixed the idea before it even got off the ground. The Pentagon has its tentacles everywhere. You talk about lobby groups? The Pentagon is one of the biggest."

Beaver is undaunted, however. He believes that the commissaries' game plan has been changing in the last few years, and he's set out to do something about it. "The commissaries are big. They are now the equal of any retail operation. They weren't content with what they had. They represent a lot more than just smalltime competition [to CGA] now. They even are allowing Reservists to shop in there now.

"What are they trying to prove? I think they're running a bit scared that their sacred cow might be endangered, so they are trying to pump up the numbers of patrons to justify their continued existence. It's a disgrace, and we're not going to take it anymore." MM

CANEX

(Continued from page 40)

overseas are borne by suppliers, not CANEX — and certainly not Canadian taxpayers. Explains Powell, "Additionally, we have no fancy distribution system in CANEX. We don't even have any distribution system for that matter — not even a warehouse. All of the products go directly to the individual stores. We don't ship or transport anything. That's totally up to our suppliers."

Drop CANEX in AAFES' Numbers

Powell admits that sometimes he looks at the gargantuan distribution system of AAFES with envy and admiration. "We have nothing like that. But then again, it's expensive to do something like that, to run a nationwide distribution system. It's quite impossible for us to do that, logistically. They [AAFES] have a lot of money tied up in inventory. We do not. In one end of the store and out the other. We don't have to mark up the merchandise quite like your AAFES does, either."

But as Powell reflects on some of the sales figures emanating from Dallas, he shakes his head. "It boggles my mind, some of the numbers I see from your Dallas. I can't even begin to comprehend such sales figures. You could drop the whole of CANEX inside those numbers."

Yet he also sees the other side of the coin — the cost of operating such a distribution system, both the costs to the system and the eventual cost to the patron. "There are serious tradeoffs to both our systems. Manufacturers sometimes are only going to give CANEX the product we want in the quantity we want on a one-time basis."

"We are essentially a service organization, and CANEX will grow in response to the needs of our military, not in response to any plans or internal needs of its own," Powell continues. "We are not out to improve our standing. It won't break our backs if we drop to No. 300. The important question is, 'Are we serving our customers needs?' "

The *raison d'etre* for CANEX [like everything else in the Canadian government, the system is totally bilingual] derives from Section 38 of the National Defense Act. Its mission is simple: "To support personnel readiness by providing convenient and reliable sources of goods and services through attractive resale facilities to Canadian Forces personnel and their dependents at favorable prices, and thereby generate profits to support morale, welfare and recreation programs." This has been expanded by Parliament to include the Mounties and the Reserves.

A Low Profile Outfit

CANEX's headquarters building at 245 Cooper St. in Ottawa looks like any other office building in the business district of the capital city. There's no corporate facility with snazzy logos or flags flying out the front. No one would guess it was the CANEX building unless they looked at the building's lobby directory. "This is definitely a low profile outfit," admits Maj. McGillivary, the policy and administration director, "but I guess you could say that about the entire organization."

Like AAFES, CANEX functions with a board of directors, made up of the commanders of the operational commands (three-stars from air, mobile and navy), an assistant deputy from one of these three commands (the job rotates among them), one vice chief (also rotating among the commands), and one assistant deputy minister of finance, the only civilian on the board.

The board meets twice a year. "I give them a status report on CANEX," explains Powell, "sales figures, trends, our plans for the future, etc."

An aspect of the CANEX world which has no American equivalent is the annual CANEX Trade Show. This brings all of the CANEX suppliers, base exchange officers and various resale officials from across this frozen country together in Ottawa under one collective roof. This year's show was scheduled for April 30 and May 1.

The buying contingent at CANEX headquarters consists of three full-fledged buyers and two assistants, all civilians with retail-world experience in purchasing before coming on board with CANEX. "They are quite busy during the trade show, but again, they're not busy buying, just busy observing and making mental notes," says Powell. MM

Military Market Index

Commissaries

		JANUARY			YEAR-TO-DATE		
		CY'85	CY'84	%	CY'85	CY'84	%
Air Force	CONUS	$154,955	$142,829	+8.49	$154,955	$142,829	+8.49
	OVERSEAS	30,574	27,581	+10.85	30,574	27,581	+10.85
	TOTAL	185,529	170,410	+8.87	185,529	170,410	+8.87
Army	CONUS	106,470	98,595	+7.99	106,470	98,595	+7.99
	OVERSEAS	31,710	31,080	+2.03	31,710	31,080	+2.03
	TOTAL	138,180	129,675	+6.56	138,180	129,675	+6.56
Navy	CONUS	55,723	53,030	+5.08	55,723	53,030	+5.08
	OVERSEAS	6,557	5,978	+9.69	6,557	5,978	+9.69
	TOTAL	62,280	59,008	+5.55	62,280	59,008	+5.55
Marines	CONUS	14,343	12,460	+15.11	14,343	12,460	+15.11
	OVERSEAS	235	174	+35.06	235	174	+35.06
	TOTAL	14,578	12,634	+15.39	14,578	12,634	+15.39
Coast Guard	CONUS	291	233	+24.89	291	233	+24.89
	OVERSEAS	323	250	+29.20	323	250	+29.20
	TOTAL	614	483	+27.12	614	483	+27.12
All Commissaries	CONUS	331,782	307,147	+8.02	331,782	307,147	+8.02
	OVERSEAS	69,399	65,063	+6.66	69,399	65,063	+6.66
	TOTAL	$401,181	$372,210	+7.78	$401,181	$372,210	+7.78
Grocery Stores	U.S.[1]	$21.494 bil.	$19.918 bil.	+7.91	$21.494 bil.	$19.918 bil.	+7.91

Exchanges

AAFES	CONUS	$185,785	$189,951	-2.19	$185,785	189,951	-2.19
	OVERSEAS	135,388	139,345	-2.84	135,388	139,345	-2.84
	TOTAL	321,173	329,296	-2.47	321,173	329,296	-3.47
Navy	CONUS[2]	62,350	60,367	+3.28	62,350	60,367	+3.28
	OVERSEAS[2]	30,558	27,904	+9.51	30,558	27,904	+9.51
	TOTAL[4]	92,908	88,271	+5.25	92,908	88,271	+5.25
Marines	CONUS	20,858	16,579	+25.81	20,858	16,579	+25.81
	OVERSEAS	4,344	3,588	+21.07	4,344	3,588	+21.07
	TOTAL	25,202	20,167	+24.97	25,202	20,167	+24.97
Coast Guard	CONUS[2]	5,138	4,895	+4.96	5,138	4,895	+4.96
	OVERSEAS[2]	444	612	-27.45	444	612	-27.45
	TOTAL[4]	5,582	5,507	+1.36	5,582	5,507	+1.36
Mail Order	CONUS[2]	1,054	1,496	-29.55	1,054	1,496	-29.55
	OVERSEAS[2]	2,863	4,018	-28.75	2,863	4,018	-28.75
	TOTAL[4]	3,917	5,514	-28.96	3,917	5,514	-28.96
All Exchanges	CONUS	275,185	273,288	+0.69	275,185	273,288	+0.69
	OVERSEAS	173,597	175,467	-1.07	173,597	175,467	-1.07
	TOTAL	$448,782	$448,755	+0.01	$448,782	$448,755	+0.01
Department Stores	U.S.[1]	$7.598 bil.	$7.266 bil.	+4.57	$7.598 bil.	$7.266 bil.	+4.57

1) SOURCE: U.S. Department of Commerce. 2) Does not include a few of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate sun wages, and exchange sales include commission returns.

NOTE: 1984 Army sales data for commissaries has been adjusted to reflect revised data received from the U.S. Army Troop Support Agency.